

## Message Text

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21

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-07

NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 /105 W

----- 091122

R 280903Z APR 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8807

DEPARTMENT OF TREASURY WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION OECD PARIS

UNCLAS TOKYO 6273

PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF APRIL 22-28

1. SUMMARY: INDUSTRIAL PRODUCTION AND SHIPMENTS IN MARCH REGISTERED ANOTHER STRONG INCREASE. FIRST QUARTER ADVANCE IN PRODUCTION WAS 4.4 PERCENT WHICH, IF MERELY MAINTAINED, WOULD MEAN PREVIOUS CYCLICAL PEAK WILL NOT BE SURPASSED UNTIL A YEAR FROM NOW. ACCELERATING EXPORT RECOVERY NO DOUBT HAS BEEN AN IMPORTANT FACTOR IN RECENT PRODUCTION/SHIPMENTS PICKUP. DEMAND FOR IMPORTS BEGAN TO RESPOND TO FASTER PRODUCTION PACE IN FIRST QUARTER. SIX JAPANESE BANKS WILL BE OPENING BRANCHES IN NEW YORK AND LONDON, AN ONE EUROPEAN BANK WILL OPEN BRANCH IN TOKYO THIS YEAR. END SUMMARY.

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2. INDUSTRIAL PRODUCTION AND SHIPMENTS REGISTERED STRONG INCREASES IN MAR ON S.A. BASIS. PRELIMINARY FIGURES RELEASED THIS AFTERNOON INDICATE INDEX OF MINING AND MANUFACTURING INDUSTRIAL PRODUCTION (JEI 212) INCREASED 1.9 PERCENT FROM FEB WHILE INDEX OF PRODUCERS' SHIPMENTS FOR MINING AND MANUFACTURING INDUSTRIES (JEI 239) ROSE 3.2 PERCENT ON TOP OF 6.4 PERCENT JUMP OF PREVIOUS MONTH. INDEX OF PRODUCERS' INVENTORIES OF FINISHED GOODS, S.A. DECLINED FOR THIRD STRAIGHT MONTH, AND INVENTORY TO SHIPMENTS RATIO S.A. (JEI 253) FELL 5.7 PERCENT. PRODUCTION INCREASE WAS LED BY TRANSPORTATION EQUIPMENT (UP 5.3 PERCENT), WITH ROAD MOTOR VEHICLES (UP 6.1 PERCENT) PROVIDING MAJOR THRUST FOR THIS SECTOR. OTHER INDUSTRIES REGISTERING STRONG INCREASES INCLUDE ELECTRICAL EQUIPMENT (UP 4.3 PERCENT) AND NON-FERROUS METALS (UP 4.3 PERCENT). SHIPMENTS OF ROAD MOTOR VEHICLES RSE 12.0 PERCENT IN MAR ON S.A. BASIS FOLLOWING 5.9 PERCENT INCREASE IN FEB. FURTHER DETAILS TO BE TRANSMITTED BY SEPTEL.

PRODUCTION, SHIPMENTS AND INVENTORY/SHIPMENTS RATIO  
(INDEX, 1970-100, S.A.; PCT CHANGE FROM PRIOR Q IN PAREN)

	MIN. AND MFG. PRODUCTION	PRODUCERS' SHIPMENTS	INVENTORY TO SHIPMENTS RATIO
JAN	114.9 (2.0)	116.3 (-1.4)	140.9 (1.2)
FEB	117.5 (2.3)	123.8 (6.4)	130.9 (-7.1)
MAR	119.7 (1.9)P	127.7 (3.2)P	123.5 (-5.7)P

3. FIRST QUARTER PICKUP IN INDUSTRIAL PRODUCTION AND SHIPMENTS IS NOT VERY DIFFERENT FROM THE INITIAL RECOVERY QUARTER APR-JUNE 1975. TABLE BELOW GIVES BROADER PERSPECTIVE OF RECOVERY PHASE WHICH FALTERED LATE LAST YEAR. AT PRESENT PRODUCTION AND SHIPMENTS HAVE REGAINED LESS THAN HALF OF CYCLICAL DROP FROM NOV 73 TO FEB 75. IF PRODUCTION MERELY MAINTAINS CURRENT RATE OF ADVANCE OF 4.2 PERCENT EACH QUARTER, IT WILL NOT REGAIN PREVIOUS CYCLICAL PEAK (NOV 73) UNTIL FIRST QUARTER OF 1977.

INDUSTRIAL PRODUCTION, SHIPMENTS AND INVENTORY  
TO SHIPMENTS RATIO (S.A).  
(PERCENT CHANGE FROM PRIOR QUARTER)

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	1975 APR-JUNE	1975 JUL-SEP	1975 OCT-DEC	1976 JAN-MAR
PRODUCTION	4.0	2.9	0.3	4.2
SHIPMENTS	4.6	1.6	1.0	4.4
INV/SHIP RATIO	-9.0	-1.1	0.8	-5.4

4. EXPORT DEMAND ACCELERATED RAPIDLY THROUGHOUT THE FIRST QUARTER IN RESPONSE TO STRONGER ECONOMIC RECOVERY ABROAD.

VOLUME OF EXPORTS, AS MEASURED BY MOF QUANTUM INDEX (S.A.), RECORDED FASTER GROWTH SINCE THIRD QUARTER OF LAST YEAR. IT REGISTERED A LARGE 17.8 PERCENT INCREASE DURING FIRST QUARTER OF THIS YEAR. THAT IS A SHARP ADVANCE FROM 7.3 PERCENT RISE RECORDED IN OCT-DEC 75 QUARTER.

ON THE OTHER HAND, IMPORT DEMAND HAS BEEN MUCH MORE MODEST AND IS ONLY NOW SHOWING DEFINITE SIGNS OF RECOVERY ALONG WITH RECENT PICKUP IN PRODUCTION AND SHIPMENTS. VOLUME OF IMPORTS (MOF QUANTUM INDEX, S.A.) RECORDED HEALTHY QUARTERLY GROWTH OF 8.6 PERCENT DURING JAN-76 AFTER RECORDING SMALL 1.4 PERCENT DROP IN PRIOR QUARTER.

DESPITE STRONGER DEMAND FOR JAPAN'S EXPORTS, EXPORT PRICES (AS MEASURED BY MOF YEN BASED UNIT VALUE INDEX, S.A.) REMAINED WEAK AND CONTINUED TO DECLINE THROUGH MARCH THIS YEAR. NEVERTHELESS, ANOTHER EXPORT PRICE INDEX COMPILED BY BOJ (THOUGH NOT SEASONALLY ADJUSTED) SHOWED MORE STABLE EXPORT PRICE MOVEMENT DURING LAST SIX MONTHS. IMPORT PRICES (MOF UNIT VALUE INDEX, S.A.) REGISTERED SHARP 6.2 PERCENT DECLINE IN FIRST QUARTER THIS YEAR DESPITE HEALTHY GROWTH IN QUANTITY OF IMPORTS. BOJ IMPORT PRICE INDEX (N.S.A.) SHOWED CONSISTENT RISE IN IMPORT PRICES SINCE THIRD QUARTER LAST YEAR.

PERCENT CHANGE FROM PRIOR QUARTER  
(QUARTERLY AVERAGE BASED ON S.A. MONTHLY INDICES)

	1976 JAN-MAR	1975 OCT-DEC	1975 JUL-SEP	1975 APR-JUN
QUANTUM				
EXPORTS	17.8	7.4	1.0	MIN 3.4
IMPORTS	8.6	MIN 1.4	4.8	MIN 4.3

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EXPORT PRICES

UNIT VAL. INDEX	MIN 2.2	MIN 3.1	MIN 3.9	MIN 1.4
CONTRACT PRICE				
INDEX	0.9	0.7	MIN 0.6	MIN 1.9

IMPORT PRICES

UNIT VALUE INDEX				
MIN 6.2	4.4	1.3	MIN 1.5	
CONTRACT PRICE INDEX				
(N.S.A.)	1.3	2.9	1.6	MIN 1.2

5. SIX JAPANESE BANKS WILL OPEN NEW OVERSEAS BRANCHES DURING JFY 76 (ENDING IN MAR 77). ACCORDING TO MOF ANNOUNCEMENT OF CANDIDATES FOR NEW BRANCH OPENINGS ABROAD, PERMISSION WAS GRANTED ONLY TO A LONG-TERM BANK AND

TRUST BANKS THIS YEAR. ONE LONG-TERM CREDIT BANK (NIPPON FUDOSAN) AND THREE TRUST BANKS (SUMITOMO, YASUDA, AND CHUO) WILL OPEN BRANCHES IN NEW YORK CITY AND IN LONDON TWO TRUST BANKS (MITSUBISHI AND MITSUI) WERE ALLOWED TO ESTABLISH BRANCHES. MOF OFFICIAL DISCLAIMED PRESS REPORT THAT TEN FOREIGN BANKS WILL BE ALLOWED TO ESTABLISH BRANCHES IN JAPAN THIS YEAR. MOF OFFICIAL TOLD EMBASSY ONLY ONE EUROPEAN BANK BEING GIVEN THE GO-AHEAD TO OPEN A BRANCH. MOF OFFICIAL, HOWEVER, DID NOT COMPLETELY DENY A POSSIBILITY OF NEW BRANCH OPENINGS BY U.S. BANKS IN JAPAN WITHIN THIS FISCAL YEAR. MOF SAID IT SOLELY DEPENDS ON WHETHER BANK OF TOKYO'S SUBSIDIARY AGREEMENT CORPORATION IN THE STATE OF TEXAS IS ALLOWED TO DO BANKING BUSINESS MOF CONSIDERS SATISFACTORY TO MEET RECIPROCITY PRINCIPLE.

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## Message Attributes

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